

CITY OF PIERRE
AUDIT REPORT
DECEMBER 31, 2011

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Commission
City of Pierre
Pierre, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pierre, South Dakota, as December 31, 2011, and for the year then ended, which collectively comprise the City of Pierre's basic financial statements and have issued my report thereon dated May 4, 2012. My report was modified to include a reference to other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the "Housing and Redevelopment Commission of the City of Pierre, SD", as described in my report of the City of Pierre's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance or other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.


A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pierre's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the governing board and information of the management of the City of Pierre and the South Dakota Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.



May 4, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

City Commission
City of Pierre
Pierre, South Dakota

Compliance

I have audited the compliance of the City of Pierre, South Dakota, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City of Pierre's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Pierre's management. My responsibility is to express an opinion on the City of Pierre's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pierre's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Pierre's compliance with those requirements.

The financial statements contained in this report include, as a component unit, the financial transactions of the Housing and Redevelopment Commission of the City of Pierre, which is a legally separate entity that is required by Governmental Accounting Standards Board Statement Number 14 to be included as part of the financial reporting entity of the City of Pierre. The Housing and Redevelopment Commission fulfills its own audit requirements including single audit requirements, apart from those of the City of Pierre. I did not audit compliance applicable to any of the federal awards of the Housing and Redevelopment Commission, and, these federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the City of Pierre. The Housing and Redevelopment Commission was audited in accordance with the requirements of OMB Circular A-133 by other auditors and their report on compliance with requirements applicable to each major program and internal control over compliance with respect to federal programs is contained in their separately issued single audit report on the Housing and Redevelopment Commission as of and for the year ended June 30, 2011.

My tests of compliance included tests relating to the use of Airport revenue and of the propriety of the disposition of airport funds or transfers to a sponsor. No instances of noncompliance of these requirements were noted. No funds were transferred out of the Airport Fund or otherwise paid to sponsors of the Airport Fund (which was the recipient of Airport Improvement grant funds in 2011).

In my opinion, the City of Pierre complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

The management of the City of Pierre is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Pierre's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

As discussed in paragraph three above, The Housing and Redevelopment Commission of the City of Pierre fulfills its own audit requirements, including single audit requirements, apart from those of the City of Pierre. Accordingly, I did not perform tests of controls over compliance applicable to any of the federal awards of the Housing and Redevelopment Commission. My report on internal controls over compliance is limited to the legal entity known as the City of Pierre.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board and management of the City of Pierre, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, as required by OMB Circular A-133 and SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David J. Hanson", with a stylized flourish at the end.

May 4, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

City Commission
City of Pierre
Pierre, South Dakota

Compliance

I have audited the compliance of the City of Pierre with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Pierre's management. My responsibility is to express an opinion the City of Pierre's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Pierre's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Pierre's compliance with those requirements. In my opinion, the City of Pierre complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City of Pierre is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing my audit, I considered the City of Pierre's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Federal Aviation Administration, The South Dakota Legislature, the governing board and management of the City of Pierre and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "David L. Jensen". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

May 4, 2012

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Pierre
Pierre, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, as of December 31, 2011, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pierre's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the "Housing and Redevelopment Commission of the City of Pierre, SD", which represent 100% of the total assets as of June 30, 2011 and 100% of the total revenues for the year then ended of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinions on the financial statements, insofar as they relate to the amounts included for the "Housing and Redevelopment Commission of the City of Pierre, SD" in the component unit column, are based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but, not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. Also an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, at December 31, 2011, the respective changes in financial position and cash flows where applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, I have also issued my report dated May 4, 2012 on my consideration of the City of Pierre's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and to the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the OPEB Funding and Budgetary Comparison Schedules on pages 75 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the Passenger Facility Charges Schedule listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



May 4, 2012

CITY OF PIERRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
ASSETS:		
Cash and cash equivalents	\$5,963,920	\$5,123,925
Investments	1,654,422	2,054,634
Receivables	2,486,473	1,660,421
Inventories	291,763	1,101,126
Other assets	231,960	214,663
Restricted assets:		
Cash and cash equivalents	902,743	0
Investments	0	14,719,389
Deposit	247,374	0
Capital assets:		
Land and construction in progress	11,742,886	7,714,426
Other capital assets, net of depreciation	33,125,969	52,772,577
TOTAL ASSETS	<u>\$56,647,510</u>	<u>\$85,361,161</u>
LIABILITIES:		
Accounts payable	\$1,330,399	\$1,331,541
Other current liabilities	214,510	476,780
Noncurrent liabilities:		
Due within one year	1,180,339	1,250,725
Due in more than one year	8,516,904	21,351,769
TOTAL LIABILITIES	<u>11,242,152</u>	<u>24,410,815</u>
NET ASSETS:		
Invested in capital assets, net of related debt	36,062,171	38,655,132
Restricted for:		
Construction	0	12,518,121
Excess housing assistance payments	0	0
Risk pool capitalization contribution	247,374	0
Cemetery - Expendable	4,464	0
Nonexpendable	50,000	0
Debt service	902,743	1,718,659
Unrestricted	8,138,606	8,058,434
TOTAL NET ASSETS	<u>45,405,358</u>	<u>60,950,346</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$56,647,510</u>	<u>\$85,361,161</u>

The accompanying notes to financial statements
are an integral part of this statement.

TOTAL	Component Unit
\$11,087,845	\$129,067
3,709,056	518,818
4,146,894	1,680
1,392,889	2,155
446,623	11,900
902,743	314,819
14,719,389	0
247,374	0
19,457,312	169,158
85,898,546	566,201
<u>\$142,008,671</u>	<u>\$1,713,798</u>

\$2,661,940	\$10,926
691,290	19,310
2,431,064	3,525
29,868,673	3,254
<u>35,652,967</u>	<u>37,015</u>

74,717,303	735,359
12,518,121	0
0	314,819
247,374	0
4,464	0
50,000	0
2,621,402	0
16,197,040	626,605
<u>106,355,704</u>	<u>1,676,783</u>
<u>\$142,008,671</u>	<u>\$1,713,798</u>

CITY OF PIERRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	PROGRAM REVENUES	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$3,412,110	\$1,569,982	\$0
Public safety	3,655,688	338,869	78,631
Public works	5,270,453	33,899	61,700
Health and welfare	164,574	0	0
Culture and recreation	3,410,658	290,438	0
Conservation and development	2,341,347	0	0
*Interest on long-term debt	294,743	0	0
TOTAL GOVERNMENTAL ACTIVITIES	18,549,573	2,233,188	140,331
Business-type Activities:			
Water	1,950,728	2,208,447	0
Electric	12,454,465	14,000,908	359,750
Waste Water	2,174,468	2,503,386	0
Airport	1,726,983	220,005	0
Garbage	145,013	86,827	0
Landfill	1,256,285	1,238,819	0
TOTAL BUSINESS-TYPE ACTIVITIES	19,707,942	20,258,392	359,750
TOTAL PRIMARY GOVERNMENT	\$38,257,515	\$22,491,580	\$500,081
Component Unit:			
Housing and Redevelopment Commission	\$938,618	\$97,701	\$801,788

* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGE IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$1,842,128)	\$0	(\$1,842,128)	\$0
0	(3,238,188)	0	(3,238,188)	0
2,685,671	(2,489,183)	0	(2,489,183)	0
0	(164,574)	0	(164,574)	0
0	(3,120,220)	0	(3,120,220)	0
0	(2,341,347)	0	(2,341,347)	0
0	(294,743)	0	(294,743)	0
2,685,671	(13,490,383)	0	(13,490,383)	0
0	0	257,719	257,719	0
0	0	1,906,193	1,906,193	0
0	0	328,918	328,918	0
1,603,567	0	96,589	96,589	0
0	0	(58,186)	(58,186)	0
803,381	0	785,915	785,915	0
2,406,948	0	3,317,148	3,317,148	0
\$5,092,619	(\$13,490,383)	\$3,317,148	(\$10,173,235)	\$0
\$79,719	\$0	\$0	\$0	\$39,590

**CITY OF PIERRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues

TRANSFERS

EXTRAORDINARY ITEM

Total General Revenues and Transfers

Change in net assets

Net Assets-beginning,

NET ASSETS-ending

The accompanying notes to financial statements are an
integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental Activities	Business-type Activities	Total	Component Unit
\$2,546,860	\$32,760	\$2,579,620	\$0
7,011,206	0	7,011,206	0
453,567	0	453,567	0
19,479	45,195	64,674	8,510
442,698	54,145	496,843	2,765
2,272,072	(2,272,072)	0	0
(1,705,807)	0	(1,705,807)	0
11,040,075	(2,139,972)	8,900,103	11,275
(2,450,308)	1,177,176	(1,273,132)	50,865
47,855,666	59,773,170	107,628,836	1,625,918
\$45,405,358	\$60,950,346	\$106,355,704	\$1,676,783

CITY OF PIERRE
BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Special Tax Fund	Capital Improvements Fund
ASSETS			
Cash and cash equivalents	\$2,009,133	\$295,743	\$2,858,268
Investments	1,555,561	0	0
Taxes receivable-			
Delinquent	40,567	0	0
Accounts receivable	56,219	0	0
Special assessments receivable-current	35,387	0	0
Due from other governments	1,415,226	49,005	707,715
Supply inventory	291,763	0	0
Prepaid expenses	164,336	0	0
Deposits	247,374	0	0
Restricted cash	0	434,486	468,257
TOTAL ASSETS	\$5,815,566	\$779,234	\$4,034,240
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$1,071,701	\$0	\$85,389
Deferred revenue	152,862	9,234	76,526
Total Liabilities	1,224,563	9,234	161,915
FUND BALANCES:			
Non-spendable:			
Inventory	291,763	0	0
Deposits	247,374	0	0
Restricted:			
Debt service	0	434,486	468,257
Cemetery	0	0	0
Promotion	0	335,514	0
Committed:			
Capital improvements	0	0	3,404,068
Public works	0	0	0
Public safety	0	0	0
Culture and recreation	0	0	0
Assigned:			
Capital accumulations	846,673	0	0
Unassigned	3,205,193	0	0
Total Fund Balance	4,591,003	770,000	3,872,325
TOTAL LIABILITIES AND FUND BALANCES	\$5,815,566	\$779,234	\$4,034,240

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$376,104	\$5,539,248
98,861	1,654,422
0	40,567
125,537	181,756
0	35,387
0	2,171,946
0	291,763
0	164,336
0	247,374
0	902,743
<u>\$600,502</u>	<u>\$11,229,542</u>

\$43,326	\$1,200,416
0	238,622
<u>43,326</u>	<u>1,439,038</u>

0	291,763
0	247,374
3,639	906,382
54,464	54,464
0	335,514
0	3,404,068
55,364	55,364
397,695	397,695
138,368	138,368
0	846,673
(92,354)	3,112,839
<u>557,176</u>	<u>9,790,504</u>
<u>\$600,502</u>	<u>\$11,229,542</u>

CITY OF PIERRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
ASSETS
DECEMBER 31, 2011

Total Fund Balances-Government Funds	\$9,790,504
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	44,868,855
Long-term liabilities, including bonds payable, capital leases payable and accrued leave payable and accrued other post-employment benefits are not due and payable in the current period and therefore are not reported in the funds	(9,697,243)
Property taxes receivable and special assessments are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net assets, but in the funds statement of net assets, "available" (within a 30 day period) are offset with deferred revenue	238,241
Deferred charges on long-term debt is not recorded in the funds statement because it is on the modified accrual basis of accounting	67,624
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	<u>137,377</u>
Net Assets-Governmental Funds	<u><u>\$45,405,358</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Special Tax Fund	Capital Improvement Fund
Revenues:			
Taxes-			
General property taxes	\$2,442,315	\$0	\$0
General sales taxes	3,317,919	446,877	3,317,918
911 telephone surcharge	0	0	0
Penalties and interest	4,824	0	0
Licenses and permits	186,498	0	0
Intergovernmental Revenue			
Federal grants	2,166,606	0	473,150
State shared revenues	453,567	0	0
County shared revenues	21,239	0	0
Charges for Goods or Services			
General government	1,523,911	0	0
Public safety	19,762	0	0
Culture and recreation	253,656	0	0
Cemetery	33,899	0	0
Fines and Forfeits			
Court fines and costs	2,453	0	0
Fines	19,418	0	0
Miscellaneous Revenue			
Interest earned	4,142	1,298	10,980
Rentals	19,424	0	0
Special assessments	0	0	0
Contributions from private sources	31,446	0	0
Other	149,735	0	0
Total Revenue	<u>\$10,650,814</u>	<u>\$448,175</u>	<u>\$3,802,048</u>

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$97,889	\$2,540,204
0	7,082,714
190,833	190,833
0	4,824
0	186,498
0	2,639,756
0	453,567
0	21,239
	0
26,647	1,550,558
125,821	145,583
17,333	270,989
0	33,899
0	2,453
31	19,449
1,767	18,187
0	19,424
193,753	193,753
53,045	84,491
735	150,470
<u>\$707,854</u>	<u>\$15,608,891</u>

CITY OF PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Special Tax Fund	Capital Improvement Fund
Expenditures:			
General Government:			
Legislative	\$201,969	\$0	\$0
Elections	1,410	0	0
Financial administration	1,447,065	0	0
Other	1,382,490	0	0
Public Safety:			
Police	2,192,281	0	0
Fire	295,155	0	0
Public Works:			
Highways and streets	1,155,582	0	260,371
Sanitation	0	0	544,371
Airport	0	0	28,920
Cemeteries	204,560	0	0
Transit	1,924,764	0	0
Health and Welfare:			
Health	97,276	0	0
Ambulance	0	0	61,891
Culture and Recreation:			
Recreation	451,387	0	90,787
Parks	1,519,745	0	44,003
Libraries	606,365	0	0
Auditorium	7,381	0	0
Conservation and Development:			
Economic development	632,774	172,500	0
Debt Service	29,177	221,248	689,158
Intergovernmental	336,880	0	0
Capital Outlay	497,757	0	1,026,719
Total Expenditures	<u>12,984,018</u>	<u>393,748</u>	<u>2,746,220</u>
Excess (deficiency) of Revenues over Expenditures	<u>(2,333,204)</u>	<u>54,427</u>	<u>1,055,828</u>
Other Financing Sources (Uses):			
Transfers-in	2,320,509	0	0
Transfers-out	(124,404)	0	(308,193)
Proceeds of long-term debt	0	0	525,984
Total Other Financing Sources (Uses)	<u>2,196,105</u>	<u>0</u>	<u>217,791</u>
Extraordinary Item	<u>1,455,599</u>	<u>0</u>	<u>(3,161,406)</u>
Net Change in Fund Balances	1,318,500	54,427	(1,887,787)
FUND BALANCE, JANUARY 1, 2011	<u>3,272,503</u>	<u>715,573</u>	<u>5,760,112</u>
FUND BALANCE, DECEMBER 31, 2011	<u><u>\$4,591,003</u></u>	<u><u>\$770,000</u></u>	<u><u>\$3,872,325</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$0	\$201,969
0	1,410
0	1,447,065
137,464	1,519,954
616,631	2,808,912
0	295,155
119,234	1,535,187
0	544,371
0	28,920
0	204,560
0	1,924,764
0	97,276
0	61,891
3,104	545,278
0	1,563,748
4,391	610,756
0	7,381
1,536,073	2,341,347
58,447	998,030
0	336,880
34,575	1,559,051
2,509,919	18,633,905
(1,802,065)	(3,025,014)
407,693	2,728,202
(22,241)	(454,838)
1,500,000	2,025,984
1,885,452	4,299,348
0	(1,705,807)
83,387	(431,473)
473,789	10,221,977
\$557,176	\$9,790,504

CITY OF PIERRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Changes in Fund Balances-Total Governmental Funds	(\$431,473)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(243,322)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	954,012
Proceeds of long-term debt are reported as revenues in the funds statements, but are liabilities in the Statement of Activities	(2,025,984)
Property tax revenues and special assessments are reported in the period to be financed by the property tax levy or special assessments for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with deferred revenue.	(77,183)
Governmental funds do not reflect the change in accrued leave or other post-employment benefits but the statement of activities reflects the change in these liabilities through expenditures.	214,371
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net income of the internal service funds is reported with governmental activities.	(831,069)
Debt issue cost is deferred in the activities statement.	<u>(9,660)</u>
Change in Nets Assets of Governmental Activities	<u><u>(\$2,450,308)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PIERRE
BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2011

	Water Fund	Electric Fund	ENTERPRISE Waste Water Fund
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$1,300,270	\$2,262,811	\$504,457
Investments	0	2,054,634	0
Accounts receivable	146,769	1,199,552	202,065
Due from other funds	0	1,883,486	0
Supply inventory	401,319	644,546	0
Total Current Assets	<u>1,848,358</u>	<u>8,045,029</u>	<u>706,522</u>
Noncurrent Assets:			
Restricted investments	0	13,682,323	554,457
Deferred charges	0	214,663	0
Capital Assets:			
Land	9,092	1,450	49,434
Buildings	718,592	1,364,370	16,514,849
Improvements	10,620,671	14,894,402	6,512,464
Machinery and equipment	1,545,947	1,233,283	1,332,985
Construction in progress	0	0	0
Accumulated Depreciation	<u>(4,428,410)</u>	<u>(6,607,198)</u>	<u>(11,784,006)</u>
Total Noncurrent Assets	<u>8,465,892</u>	<u>24,783,293</u>	<u>13,180,183</u>
 TOTAL ASSETS	 <u><u>\$10,314,250</u></u>	 <u><u>\$32,828,322</u></u>	 <u><u>\$13,886,705</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

FUNDS				
Airport Fund	Garbage Fund	Landfill Fund	Total	Internal Service Fund
\$0	\$0	\$1,056,387	\$5,123,925	\$424,672
0	0	0	2,054,634	0
24,969	0	87,066	1,660,421	56,817
0	0	0	1,883,486	0
25,198	5,065	24,998	1,101,126	0
50,167	5,065	1,168,451	11,823,592	481,489
0	0	482,609	14,719,389	0
0	0	0	214,663	0
235,889	0	2,408,898	2,704,763	0
8,672,352	0	2,966,782	30,236,945	0
15,974,046	0	264,926	48,266,509	0
1,913,709	123,940	2,116,042	8,265,906	0
5,009,663	0	0	5,009,663	0
(9,324,053)	(29,482)	(1,823,634)	(33,996,783)	0
22,481,606	94,458	6,415,623	75,421,055	0
\$22,531,773	\$99,523	\$7,584,074	\$87,244,647	\$481,489

CITY OF PIERRE
BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2011

			ENTERPRISE
	Water Fund	Electric Fund	Waste Water Fund
LIABILITIES			
Current Liabilities:			
Accounts payable	\$63,818	\$888,326	\$18,980
Due to Electric Fund	0	0	0
Incurred but not reported claims payable	0	0	0
Customer deposits	0	453,236	0
Deferred revenue	0	19,615	2,875
Current portion of long-term debt	202,383	376,381	629,836
Total Current Liabilities	266,201	1,737,558	651,691
Non-current Liabilities:			
Bonds payable:			
Revenue	1,470,155	13,560,000	5,695,000
Accrued leave payable	15,666	46,380	39,836
Accrued landfill closure and postclosure costs	0	0	0
Total Non-current Liabilities	1,485,821	13,606,380	5,734,836
NET ASSETS			
Invested in capital assets, net of related debt	6,809,021	(3,003,693)	6,340,726
Restricted for construction	0	12,518,121	0
Restricted for debt service	0	1,164,202	554,457
Unrestricted net assets	1,753,207	6,805,754	604,995
Total Net Assets	8,562,228	17,484,384	7,500,178
TOTAL LIABILITIES AND NET ASSETS	\$10,314,250	\$32,828,322	\$13,886,705

The accompanying notes to financial statements are an
integral part of this statement.

FUNDS

Airport Fund	Garbage Fund	Landfill Fund	Total	Internal Service Fund
\$341,315	\$1,343	\$17,759	\$1,331,541	\$129,983
1,715,221	168,265	0	1,883,486	0
0	0	0	0	214,129
0	0	0	453,236	0
918	0	136	23,544	0
8,114	9,793	24,218	1,250,725	0
2,065,568	179,401	42,113	4,942,532	344,112
0	0	0	20,725,155	0
8,113	9,793	24,217	144,005	0
0	0	482,609	482,609	0
8,113	9,793	506,826	21,351,769	0
22,481,606	94,458	5,933,014	38,655,132	0
0	0	0	12,518,121	0
0	0	0	1,718,659	0
(2,023,514)	(184,129)	1,102,121	8,058,434	137,377
20,458,092	(89,671)	7,035,135	60,950,346	137,377
\$22,531,773	\$99,523	\$7,584,074	\$87,244,647	\$481,489

CITY OF PIERRE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	ENTERPRISE		
	Water Fund	Electric Fund	Waste Water Fund
OPERATING REVENUES:			
Charges for goods and services	\$2,208,447	\$14,000,908	\$2,503,386
Health insurance contributions	0	0	0
Total Operating revenue	<u>2,208,447</u>	<u>14,000,908</u>	<u>2,503,386</u>
OPERATING EXPENSES:			
Personal services	513,644	724,060	487,835
Cost of sales	159,225	8,597,912	0
Other current expense	892,083	1,833,301	906,797
Depreciation	323,854	499,748	710,281
Total Operating Expenses	<u>1,888,806</u>	<u>11,655,021</u>	<u>2,104,913</u>
Operating Income (Loss)	<u>319,641</u>	<u>2,345,887</u>	<u>398,473</u>
Non-operating Revenue (Expense)			
Operating grants	0	359,750	0
Interest earned	2,181	36,369	2,068
Interest expense	(61,922)	(799,444)	(69,555)
Gain (Loss) on disposal of fixed assets	(3,340)	24,339	15,000
Airflight property taxes	0	0	0
Total Non-operating Revenue (Expense)	<u>(63,081)</u>	<u>(378,986)</u>	<u>(52,487)</u>
Net Income (Loss) before Contributions and Transfers	256,560	1,966,901	345,986
Capital contributions	0	0	0
Transfers-in	0	0	0
Transfers-out	<u>(2,181)</u>	<u>(2,279,169)</u>	<u>(501,966)</u>
Change in Net Assets	254,379	(312,268)	(155,980)
NET ASSETS, BEGINNING	<u>8,307,849</u>	<u>17,796,652</u>	<u>7,656,158</u>
NET ASSETS, ENDING	<u><u>\$8,562,228</u></u>	<u><u>\$17,484,384</u></u>	<u><u>\$7,500,178</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

FUNDS

Airport Fund	Garbage Fund	Landfill Fund	Total	Internal Service Fund
\$220,005	\$86,827	\$1,238,819	\$20,258,392	\$0
0	0	0	0	2,065,404
220,005	86,827	1,238,819	20,258,392	2,065,404
318,919	71,797	556,917	2,673,172	0
0	0	0	8,757,137	0
286,201	60,822	485,052	4,464,256	2,896,473
1,121,863	12,394	214,316	2,882,456	0
1,726,983	145,013	1,256,285	18,777,021	2,896,473
(1,506,978)	(58,186)	(17,466)	1,481,371	(831,069)
0	0	0	359,750	0
0	0	4,577	45,195	1,292
0	0	0	(930,921)	0
(10,172)	10,000	18,318	54,145	0
32,760	0	0	32,760	0
22,588	10,000	22,895	(439,071)	1,292
(1,484,390)	(48,186)	5,429	1,042,300	(829,777)
1,603,567	0	803,381	2,406,948	0
524,802	29,687	0	554,489	0
0	0	(43,245)	(2,826,561)	(1,292)
643,979	(18,499)	765,565	1,177,176	(831,069)
19,814,113	(71,172)	6,269,570	59,773,170	968,446
\$20,458,092	(\$89,671)	\$7,035,135	\$60,950,346	\$137,377

CITY OF PIERRE
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	ENTERPRISE		
	Water Fund	Electric Fund	Waste Water Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$2,151,115	\$13,166,470	\$2,491,078
Cash receipts for interfund services	55,792	991,553	7,180
Payments to suppliers	(643,835)	(9,743,968)	(614,874)
Internal activities-payment to other funds	(457,356)	(798,599)	(529,193)
Payments to employees	(514,088)	(719,598)	(488,159)
Net Cash Provided (Used) by Operating Activities	591,628	2,895,858	866,032
Cash Flows from Noncapital Financing Activities:			
Loans (to) from other funds	0	(1,073,838)	0
Transfers from other funds	0	0	0
Transfers (to) other funds	(2,181)	(2,279,169)	(501,966)
Airflight property taxes	0	0	0
Operating grants	0	359,750	0
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	0	0	0
Proceeds from sale of capital assets	0	24,339	15,000
Purchase of capital assets	(130,532)	(197,593)	(452,985)
Debt principal paid	(180,322)	0	0
Debt interest paid	(61,922)	(799,444)	(69,555)
Cash Flows from Investing Activities:			
Purchase of investments	0	987,944	13,510
Cash received for interest	2,181	36,369	2,068
Net Increase (Decrease) in Cash and Cash Equivalents	218,852	(45,784)	(127,896)
Cash and Cash Equivalents Beginning of Year	1,081,418	2,308,595	632,353
Cash and Cash Equivalents End of Year	<u>\$1,300,270</u>	<u>\$2,262,811</u>	<u>\$504,457</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$319,641	\$2,345,887	\$398,473
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	323,854	499,748	710,281
Changes in Assets and Liabilities:			
Receivables	(1,540)	157,115	(5,128)
Inventories	(67,323)	(81,623)	0
Accounts and other payables	17,440	(29,731)	(237,270)
Accrued leave payable	(444)	4,462	(324)
Net Cash Provided (Used) by Operating Activities	<u>\$591,628</u>	<u>\$2,895,858</u>	<u>\$866,032</u>
Non-cash Items:			
Loss on disposal of fixed assets	<u>(\$3,340)</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes to financial statements are an
integral part of this statement.

FUNDS

Airport Fund	Garbage Fund	Landfill Fund	Total	Internal Service Fund
\$214,555	\$86,827	\$1,170,646	\$19,280,691	\$0
0	0	81,066	1,135,591	2,018,456
(290,881)	(9,950)	(339,039)	(11,642,547)	(2,729,484)
(36,728)	(45,606)	(91,593)	(1,959,075)	0
(317,842)	(72,280)	(552,262)	(2,664,229)	0
(430,896)	(41,009)	268,818	4,150,431	(711,028)
1,072,516	1,322	0	0	0
524,802	29,687	0	554,489	0
0	0	(43,245)	(2,826,561)	(1,292)
32,760	0	0	32,760	0
0	0	0	359,750	0
1,636,770	0	803,381	2,440,151	0
0	10,000	18,318	67,657	0
(2,835,952)	0	(1,201,661)	(4,818,723)	0
0	0	0	(180,322)	0
0	0	0	(930,921)	0
0	0	70,000	1,071,454	0
0	0	4,577	45,195	1,292
0	0	(79,812)	(34,640)	(711,028)
0	0	1,136,199	5,158,565	1,135,700
\$0	\$0	\$1,056,387	\$5,123,925	\$424,672
(\$1,506,978)	(\$58,186)	(\$17,466)	\$1,481,371	(\$831,069)
1,121,863	12,394	214,316	2,882,456	0
(5,450)	0	12,893	157,890	(46,948)
(3,698)	4,862	28,113	(119,669)	0
(37,710)	404	26,307	(260,560)	166,989
1,077	(483)	4,655	8,943	0
(\$430,896)	(\$41,009)	\$268,818	\$4,150,431	(\$711,028)
(\$10,172)	\$0	\$0	(\$13,512)	\$0

CITY OF PIERRE
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$6,598</u>
Total Assets	<u><u>\$6,598</u></u>
 LIABILITIES	
Amounts held for others	<u>\$6,598</u>
Total Liabilities	<u>6,598</u>
 NET ASSETS	<u>0</u>
 Total Liabilities and Net Assets	<u><u>\$6,598</u></u>

The accompanying notes to financial statements
are an integral part of this statement

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Pierre consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent of the City.

Financial statements of the Housing and Redevelopment Commission of the City of Pierre, SD are discretely presented in the accompanying financial statements under "component units". This financial information is as of and for the year ended June 30, 2011.

The component unit is a governmental unit formed to provide low-income housing to residents of the City of Pierre.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The criteria for including the component unit in the financial reporting entity is that of control over the appointment of members of the governing board of the component unit. The City Commission appoints the board members of the component unit, thus having control over it. The City Commission has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49.1, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The component unit is reported using the accrual basis for accounting.

Separate financial statements for the component unit can be obtained from the City of Pierre Housing and Redevelopment Commission of Pierre, PO Box 937, Pierre South Dakota 57501.

The Housing and Redevelopment Commission's fiscal year end is June 30, 2011. The City has included the June 30, 2011 audit report financial information in the amounts it reports as a discretely presented component unit. No significant transactions between the City and the Housing and Redevelopment Commission have occurred.

The City participates in a cooperative unit for Exposition Building (Hughes County, Stanley County, and the City of Fort Pierre). See detailed Note 17 for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Basis of Presentation:

Government-wide Statements:

The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between the governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Special Sales Tax Fund - A fund authorized by City Ordinance Number 1534 to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the promotion and advertising of the City, its facilities, attractions and activities, and debt retirement. This is a major fund.

Capital Improvement Fund - a fund established by ordinance Number 1534 to account for a portion of the City's general sales tax (previously known as the 2nd Penny Sales Tax). Proceeds from this tax are to be used for land acquisition, street or other infrastructure improvements, firefighting vehicles and equipment, the transfer to the special 911 fund, and/or retiring capital improvement indebtedness for Governmental debt. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Storm Sewer Fund, E911 Fund, Library Fund, Police Pistol Range Fund, Cable Access Fund and Special Assessment Fund. These are not major funds.

Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is for the benefit of the City and its citizenry.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cemetery Perpetual Care Fund - to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

TIF Funds - to account for the property taxes which may be used only for the payment of the applicable TIF Bonds. The City has two of these debt service funds (TIF #4 and #5). Neither is a major fund.

PROPRIETARY FUNDS:

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The business type activities and the enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

The City reports the following major enterprise funds:

Enterprise Funds:

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1).

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electric Fund - to account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Wastewater Fund - to account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Airport Fund - to account for the acquisition, construction and operation of a municipal airport (SDCL 50-7-2).

Garbage Fund - to account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6).

Landfill Fund - to account for the construction and operation of landfill operation for the City.

Internal Services Funds - Internal Services Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal service funds are never considered to be major funds.

Fiduciary Funds:

Agency Funds - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of the "Payroll Clearing Fund" and "Medical Reimbursement Clearing Fund". Agency funds are never considered to be major funds.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accruals basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Pierre, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2011 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance "non-spendable" classification which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements other than Buildings".

For governmental activities Capital Assets, construction-period interest is not capitalized, in

CITY OF PIERRE
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

The total December 31, 2011 balance of capital assets for governmental activities includes approximately fifty percent for which the costs were determined by estimates of the original costs. The total December 31, 2011 balance of capital assets for business-type activities includes approximately ten percent for which costs were also estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ 0	N/A	N/A
Improvements other than buildings	5,000	Straight-line	10-25 years
Buildings	5,000	Straight-line	40-99 years
Machinery and Equipment	5,000	Straight-line	3-25 years
Infrastructure	5,000	Straight-line	25-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, other post employment benefits, revenue bonds payable and capital leases.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Non-spendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

Application of Net Assets or Fund Balances:

The City used restricted/committed amounts first when both restricted and unrestricted amounts are available unless there are legal documents/contracts that prohibit this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City Classifies governmental fund balances as follows:

1. Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City does not have a formal minimum fund balance policy.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Investments - In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) or (c) in shares of an open-end, no-load fund administered by an investment company whose only investments are in securities described in (a) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated as its fiscal agent.

The amount reported as deposits and investments includes \$442,609 of the Landfill Fund which is being held in trust for the purpose of paying closure and post-closure costs relating to the City operated landfill. These assets are restricted as to use, and are not available to the City without prior approval of the State of South Dakota Department of Environment and Natural Resources.

The amount reported as deposits and investments also includes \$2,621,402 of the various funds restricted for debt service and \$12,518,121 restricted for construction.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2011, none of the City's deposits in financial institutions were exposed to custodial credit risk.

Custodial Credit Risk - (Component Unit) - The Commission does not have a deposit policy for custodial risk. As of June 30, 2011, the Commission's deposits in financial institutions were not exposed to custodial credit risk.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2011, the City had the following investments. Except for the \$482,609, for the Landfill Fund, all the investments are in an investment pool. Investments are all bank certificates of deposit of over 90 day maturity.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Certain receivables and liabilities are aggregated in these financial statements. See the following schedule of aggregated items:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Aggregated receivables:		
Taxes receivable	\$ 40,567	\$ -
Accounts receivable	238,573	1,660,421
Special assessments:		
Current	35,387	-
Due from other governments	<u>2,171,946</u>	<u>-</u>
	<u>\$2,486,473</u>	<u>\$1,660,421</u>

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

3. RECEIVABLES AND PAYABLES (continued)

	<u>Governmental Activities</u>	<u>Business Activities</u>
Other Current Liabilities:		
Health insurance claims incurred but not filed	\$ 214,129	\$ -
Deferred revenue	381	23,544
Customer deposits	<u>-</u>	<u>453,236</u>
	<u>\$ 214,510</u>	<u>\$ 476,780</u>

The City expects all receivables to be collected within one year.

4. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a fund balance "Non-spendable" classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

5. DEFFERED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

7. CHANGES IN CAPITAL ASSETS

A summary of changes in fixed assets for the year ended December 31, 2011 follows:

Balance <u>1/1/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/11</u>
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PRIMARY GOVERNMENT:

Governmental Activities:

Capital Assets

Not being

Depreciated:

Land	<u>\$11,742,885</u>	\$ -	\$ -	<u>\$11,742,885</u>
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CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued):

	Balance 1/1/11	Increases	Decreases	Balance 12/31/11
Capital Assets				
Being Depreciated				
Buildings	\$16,430,074	\$ 108,666	\$ -	\$16,538,740
Improvements	36,630,362	1,060,326	64,274	37,626,414
Equipment	9,375,595	390,059	-	9,765,654
Totals	<u>62,436,031</u>	<u>1,559,051</u>	<u>64,274</u>	<u>63,930,808</u>
Less accumulated				
Depreciation for:				
Building	6,314,065	830,050	-	7,144,115
Improvements	17,186,665	434,842	64,274	17,557,233
Equipment	5,566,010	537,481	-	6,103,491
Total	<u>29,066,740</u>	<u>1,802,373</u>	<u>64,274</u>	<u>30,804,839</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>\$33,369,291</u>	<u>\$ (243,322)</u>	<u>\$ -</u>	<u>\$33,125,969</u>
Governmental Activity				
Capital Assets				
Net	<u>\$45,112,177</u>	<u>\$ (243,322)</u>	<u>\$ -</u>	<u>\$44,868,855</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 144,190
Public Safety	360,475
Public Works	775,020
Health and Welfare	5,407
Culture and Recreation	<u>517,281</u>
	<u>\$1,802,323</u>

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/11	Increases	Decreases	Balance 12/31/11
Business-type Activities:				
Capital Assets				
Not being				
Depreciated				
Land	\$ 2,079,521	\$ 625,242	\$ -	\$ 2,704,763
Construction				
in progress	1,926,182	3,083,481	-	5,009,663
Totals	4,005,703	3,708,723	-	7,714,426
Capital Assets				
Being Depreciated				
Buildings	30,266,785	-	29,840	30,236,945
Improvements	47,830,804	708,221	272,516	48,266,509
Equipment	7,833,921	783,114	351,129	8,265,906
Totals	85,931,510	1,491,335	653,485	86,769,360
Less accumulated				
Depreciation for:				
Building	10,388,841	1,185,543	-	11,574,384
Improvements	16,558,588	1,265,304	237,655	17,586,237
Equipment	4,755,692	431,609	351,139	4,836,162
Total	31,703,121	2,882,456	588,794	33,996,783
NetCapital				
Assets being				
Depreciated	54,228,389	(1,391,121)	64,691	\$52,772,577
Net	\$58,234,092	\$2,317,602	\$ 64,691	\$60,487,003

Depreciation expense was charged to functions as follows:

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued)

Water	\$ 323,854
Electric	499,748
Waste water	710,281
Airport	1,121,863
Garbage	12,394
Landfill	<u>214,316</u>
	<u>\$2,882,456</u>

Construction in progress consists of the following:

<u>Project Name</u>	<u>Estimated Total Cost</u>	<u>Incurred Costs</u>	<u>Remaining Costs</u>
Airport Terminal	\$12,700,000	\$5,009,663	\$ 7,690,337

No additional borrowing will be necessary to complete the project.

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended June 30, 2011 is as follows:

	<u>Balance 07/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/11</u>
Capital Assets				
Not being				
Depreciated:				
Land	\$ 80,645	\$ -	\$ -	\$ 80,645
Construction				
Work in				
Progress	<u>-</u>	<u>88,513</u>	<u>-</u>	<u>88,513</u>
Total	<u>80,645</u>	<u>88,513</u>	<u>-</u>	<u>169,158</u>

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

	Balance 07/01/10	Increases	Decreases	Balance 06/30/11
Capital Assets				
Being Depreciated				
Buildings and				
Improvements	\$2,296,886	\$ -	\$ -	\$2,296,886
Furniture and				
equipment	<u>200,409</u>	<u>-</u>	<u>-</u>	<u>200,409</u>
Totals	<u>2,497,295</u>	<u>-</u>	<u>-</u>	<u>2,497,295</u>
Less accumulated				
Depreciation:				
Buildings and				
improvements	1,749,851	70,071	-	1,819,922
Furniture and				
equipment	<u>97,138</u>	<u>14,034</u>	<u>-</u>	<u>111,172</u>
Totals	<u>1,846,989</u>	<u>84,105</u>	<u>-</u>	<u>1,931,094</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>650,306</u>	<u>(84,105)</u>	<u>\$ -</u>	<u>566,201</u>
Component Unit				
Capital Assets-				
Net	<u>\$ 730,951</u>	<u>\$ 4,408</u>	<u>\$ -</u>	<u>\$ 735,359</u>

9. LONG-TERM DEBT

A summary of changes in long-term debt follows:

Beginning			Ending	Due Within
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>

Primary Government:

Government Activities:

Bonds Payable:

Revenue \$ 7,048,492 \$2,025,984 \$ 720,258 \$8,354,218 \$ 760,000

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Financing (Capital Acquisition)					
Leases	\$ 686,220	\$ -	\$ 233,754	\$ 452,466	\$ 90,339
Total Debt	<u>7,734,712</u>	<u>2,025,984</u>	<u>954,012</u>	<u>8,806,684</u>	<u>850,339</u>
Accrued Compensated Absences- Governmental					
Funds	<u>680,727</u>	<u>328,094</u>	<u>340,300</u>	<u>668,521</u>	<u>330,000</u>
O.P.E.B.	<u>424,203</u>	<u>124,812</u>	<u>326,977</u>	<u>222,038</u>	<u>-</u>
Total Governmental Activities	<u>8,839,642</u>	<u>2,478,890</u>	<u>1,621,289</u>	<u>9,697,243</u>	<u>1,180,339</u>
Business-type Activities:					
Bonds Payable:					
Revenue	<u>22,012,193</u>	<u>-</u>	<u>180,322</u>	<u>21,831,871</u>	<u>1,106,716</u>
Accrued Compensated Absences- Business-type					
Funds	<u>279,071</u>	<u>148,942</u>	<u>140,000</u>	<u>288,013</u>	<u>144,000</u>
Total Business-type Activities	<u>22,291,264</u>	<u>148,942</u>	<u>320,322</u>	<u>22,119,884</u>	<u>1,250,716</u>
TOTAL PRIMARY GOVERNMENT	<u>\$31,130,906</u>	<u>\$2,627,832</u>	<u>\$1,941,611</u>	<u>\$31,817,127</u>	<u>\$,2431,055</u>

Component Unit:

Accrued Compensated Absences	\$ <u>6,597</u>	\$ <u>7,663</u>	\$ <u>7,481</u>	\$ <u>6,779</u>	\$ <u>3,525</u>
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CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

Debt payable at December 31, 2011 is comprised of the following:

GOVERNMENT ACTIVITY DEBT:

Revenue Bonds:

2010 Tax Increment Revenue Bond for TIF
District No. 6 Loan, payable by a Debt
Service Fund. Terms call for semi-
annual payments of approximately
\$80,000 at 4.8% interest; matures 2026 \$ 1,500,000

2009 Tax Increment Revenue Bond for TIF
District No. 5 Loan, payable by a debt
Service Fund. Terms are for semi-annual
Payments of approximately \$37,000 at 4.8%
Interest; matures 2023 752,668

2009 Regional Landfill Assistance Loan,
Payable by Capital Improvement Fund,
Due in semi-annual installments of
\$23,814, including 2.5% interest. Matures
June 1, 2017. 243,324

State Revolving Fund - Solid Waste Landfill
and Baler, matures December 31, 2023;
3% interest rate, payments to be financed
from the Capital Improvement Fund 401,735

Convention Center Sales Tax Revenue
Bonds, Series 2004, matures October 1,
2014; 2%-4% interest rate depending on
length to maturity of individual bond;
payment to be financed from the Special
Tax Fund 610,000

State Revolving Fund Loan for the
development of a landfill, matures
June 30, 2025, 4.5% interest rate;
payment to be financed from the
Capital Improvement Fund 870,876

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

State Revolving Fund Loan for landfill remediation. Terms are quarterly payments of \$10,685, including 3.25% interest, until April 15, 2031; payment to be financed by the Capital Improvement Fund

\$ 610,615

2005 Refunding Certificates of Participation, interest rates of 3.25% to 4.25%, depending on length to maturity of individual certificates, matures July 1, 2019; payment to be financed by the Capital Improvement Fund

3,215,000

2008 Tax Increment Revenue Bond for TIF District No. 4 Loan, payable by a debt Service Fund. Terms are for semi-annual Payments at 6.125% interest, matures 2024

150,000

Total Revenue Debt

\$ 8,354,218

Financing (Capital Acquisition) Leases:

Golf Club House, due in annual installments of \$46,474, including 5.5% interest, matures July 1, 2020; payments to be made by the General Fund

\$ 326,823

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$356,000
Interest	<u>110,738</u>
	<u>\$466,738</u>

Fire truck #4, due in annual installments of \$65,995, including 1.7% interest, matures January 15, 2013; payments to be made by the General Fund

125,643

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$254,451
Interest	<u>6,531</u>
	<u>\$263,982</u>

Total Capital Leases	<u>452,466</u>
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The principal amount of the above lease was included in the appropriate classification of capital assets and is being depreciated over the estimated useful life of the asset.

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2011:

Annual Leave	383,791
Sick Leave	257,110
Comp Leave	<u>27,620</u>
Total	<u>668,521</u>

Other post employment benefits	<u>222,038</u>
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Total Governmental Activity Debt	<u>\$ 9,697,243</u>
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BUSINESS ACTIVITY DEBT

Revenue Bonds:

Drinking Water State Revolving Fund Loan (1), matures January 1, 2018, 3.5% interest rate, payment to be financed from the Water Fund	\$ 473,563
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CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

Drinking Water State Revolving Fund Loan (2), matures September 30, 2020, 3.5% interest rate, payment to be financed from the Water Fund	\$ 1,183,308
Waste Water Revenue Refunding Bonds, Series 2010A, Proceeds used for the redemption of Series 99 bonds, sewer revenues pledged on debt; matures in 2013; 1.40% - 1.70% interest rate; payment to be financed from the Sewer Fund	815,000
Wastewater Revenue Refunding Bonds, Series 2010B, matures January 1, 2021, 5% - 2.9% interest rate, payment to be financed from Waste Water Fund	5,470,000
Electric Revenue Bonds, Series 2010C, (Recovery Zone Economic Development Bonds). Proceeds will be used for a new electric substation. Matures December 15, 2040; 6% interest rate with a 45% federal credit; payments to be made by the Electric Fund.	<u>\$13,890,000</u>
Total Revenue Bonds	<u>\$21,831,871</u>
Compensated Absences:	
Compensated absences of Enterprise Employees:	
Annual leave	176,797
Sick leave	99,528
Comp leave	<u>11,688</u>
Total Compensated Absences	<u>288,013</u>
Total Business Type Funds	<u>22,119,884</u>
GRAND TOTAL, PRIMARY GOVERNMENT	<u><u>\$31,817,127</u></u>

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2011 excluding compensated absences and other post-employment benefits is as follows:

Primary Government:

Governmental Activities:

Year Ending December	<u>Revenue</u>		<u>Capital Lease</u>		<u>Total</u>	
31,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 760,000	\$ 324,535	\$ 90,339	\$ 6,023	\$ 850,339	\$ 330,558
2013	873,445	301,747	94,423	18,246	967,868	319,993
2014	906,146	267,524	32,580	14,094	938,726	281,618
2015	719,445	231,358	34,593	12,081	754,038	243,439
2016	748,376	202,187	35,977	10,697	784,353	212,884
2017-						
2021	2,938,615	572,813	164,554	22,142	3,103,169	594,955
2022-						
2026	1,229,933	159,254	-	-	1,229,933	159,254
2027-						
2031	<u>178,258</u>	<u>14,074</u>	<u>-</u>	<u>-</u>	<u>178,258</u>	<u>14,074</u>
TOTAL	<u>\$8,354,218</u>	<u>\$2,073,492</u>	<u>\$452,466</u>	<u>\$83,283</u>	<u>\$8,806,684</u>	<u>\$2,156,775</u>

Business-type Activities:

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

Year Ending December 31,	<u>Revenue</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,106,716	\$ 1,024,019
2013	1,123,337	1,003,377
2014	1,145,193	978,158
2015	1,172,292	950,333
2016	1,194,644	920,183
2017-2021	5,714,689	4,084,525
2022-2026	2,090,000	3,353,893
2027-2031	2,460,000	2,688,145
2032-2036	2,980,000	1,749,420
2036-2041	<u>2,845,000</u>	<u>544,125</u>
TOTAL	<u>\$21,831,871</u>	<u>\$17,296,178</u>

10. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSFERS:

Interfund receivable and payable balances at December 31, 2011 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:		
Electric Fund	\$1,883,486	\$ -
Airport Fund	-	1,715,221
Garbage Fund	-	<u>168,265</u>
Total	<u>\$1,883,486</u>	<u>\$1,883,486</u>

The above loans were made to compensate for a temporary cash overdraft position in the Airport and Garbage Funds at year-end. The "loans" above are legal transfers between funds as defined by SDCL 9-21-26.1. Since it was the City's intent to repay them as soon as possible, these legal transfers are classified as "loans."

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

10. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSFERS (continued):

Transfers for 2011 were as follows:

<u>FUND</u>	<u>IN</u>	<u>OUT</u>
General	\$2,320,509	\$ 124,404
Special Revenue Funds:		
E-911	308,193	-
Capital Improvement	-	308,193
Public Channel	99,500	-
Special Assessments	-	22,241
Enterprise Funds:		
Water	-	2,181
Electric	-	2,279,169
Waste Water	-	501,966
Airport	524,802	-
Garbage	29,687	-
Landfill	-	43,245
Internal Service Fund	<u>-</u>	<u>1,292</u>
	<u>\$3,282,691</u>	<u>\$3,282,691</u>

The reasons for the 2011 transfers were as follows:

To subsidize operations \$3,282,691

11. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

11. RETIREMENT PLAN (continued):

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2011, 2010, and 2009 were \$459,822, \$440,538 and \$437,758, respectively, equal to the required contributions each year.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2011, the City managed its risks as follows:

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$25,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier, up to a maximum lifetime coverage of \$1,000,000. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2011 were as follows:

Benefit Claims Payable, at beginning of year	\$ 177,123
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CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

12. RISK MANAGEMENT (continued)

Employees Health and Related Benefits Incurred:

Attributable to Insured Events of the Current Year	\$2,896,473
Employee Health and Related Benefits Paid	<u>(2,729,484)</u>
Benefit Claims Payable, end of year	<u>\$ 344,112</u>

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensations coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute.

The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Liability:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

12. RISK MANAGEMENT (continued)

administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobiles and general liability. The agreement with the SDPAA Provides that the above coverages will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of the City's first full year	50%
End of the City's second full year	60%
End of the City's third full year	70%
End of the City's fourth full year	80%
End of the City's fifth full year	90%
End of the City's sixth full year	
and thereafter	100%

As of December 31, 2011, the City has vested balance in the cumulative reserve fund of \$247,374.

The City carries a \$1,000 deductible for the automotive coverage and \$1,000 deductible for the general liability coverage.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

12. RISK MANAGEMENT (continued)

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

13. CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as a operating expense in each period based on landfill capacity used as of each balance sheet date. The \$482,609 reported as landfills closure and post-closure care liability at December 31, 2011, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the old landfill which was closed in 2003 and \$239,155 of the new landfill which opened in 2003. The new landfill closure and past closure costs were based on an estimated useful life of eighty-seven years with an annual deposit of \$30,092.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$482,609 to this trust as of December 31, 2011.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

14. RESTRICTED NET ASSETS

The following table shows the net assets for other purposes as shown on the Statement of Net Assets:

<u>RESTRICTION</u>	<u>RESTRICTED BY</u>	<u>Amount</u>
Risk Pool		
Capitalization	Agreement	\$ 247,374
Cemetery	Trust agreements	54,464
Debt Service	Debt Covenants	2,621,402
Construction	Loan agreements	<u>12,518,121</u>
		<u>\$15,441,361</u>

15. POST EMPLOYMENT BENEFITS

Plan Description:

The City of Pierre's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 9-14-35 and SDCL 6-1-16 and is administered by the City of Pierre. The Plan does not issue a stand-alone financial report.

Funding Policy:

The contributions of plan members and the City are established by City policy. The required contribution is based on projected "pay-as-you-go" financing requirements, with an additional amount to prefund benefits as determined annually by the City. For 2011, the required contribution to the Plan was \$127,801. Contribution made in 2008-2011 were \$329,966, thus the City accrued a liability of \$222,038, as of December 31, 2011.

Annual OPEB cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

15. POST EMPLOYMENT BENEFITS (continued):

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City's net OPEB obligation to the Plan.

Annual required contribution	\$108,712
Interest on net OPEB obligation	19,089
Adjustment to ARC	<u>-</u>
Annual OPEB Cost	127,801
Contribution made to date	<u>(329,966)</u>
Increase in net OPEB obligation	(202,165)
Net OPEB Obligation, Beginning of year	<u>424,203</u>
Net OPEB Obligation, End of year	<u>\$222,038</u>

The City's annual OPEB cost is \$127,801 for 2011, of which the pay-as-you-go cost was 67.9% of \$86,840.

Funded Status:

The Plan is on a "pay-as-you-go" basis, therefore it is not funded as of December 31, 2011.

Actuarial Assumptions:

The December 31, 2011 actuarial valuation was compiled using the "projected unit credit" actuarial cost method. The assumptions included a 4.5% rate of return (net of administrative expenses) and an annual health-care cost trend of 9% initially, grading to 5% over 8 years. The amortization period of the unfunded liability is 30 years.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

16. SIGNIFICANT COMMITMENTS

The City has long-term contracts for the purchase of electrical energy with the Western Area Power Administration and the Missouri Basin Municipal Power Agency. These contracts expire December 31, 2020 and January 1, 2030, respectively. According to the terms of the contracts, the City is obligated to purchase all of its electrical energy from these two sources. No minimum purchase requirements have been established in the contracts.

17. EXPOSITION BUILDING

The City participates in an undivided interest, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during winter months will be for hockey and multiple uses during other times of the year. Construction started in 1998 and was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Stanley County	15%

Hughes County is acting in the capacity of fiscal agent during the construction of the facility and currently, while the City of Fort Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

At December 31, 2011 this joint operation had total fund equity of \$86,628.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

18. PLEDGED REVENUES

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$1,656,871 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,908,172. Principal and interest paid for the current year and total customer net revenue were \$242,224 and \$643,495, respectively.

The City has also pledged future electric customers' revenues, net of specified operating expenses to repay \$13,890,000 in electric system revenue bonds issued in 2010. Proceeds from the bonds provided financing for the construction of electrical infrastructure.

The bonds are payable solely from eclectic customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bond is \$30,148,946. Principal and interest paid for the current year and total customer net revenues were \$799,444 and \$2,845,635, respectively.

The City has also pledged future sewer customers' revenues, net of specified operating expenses to repay \$6,285,000 in sewer system revenue bonds issued in 2010. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer improvements.

The bonds are payable solely from sewer customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds are \$7,070,931. Principal and interest was paid for the current year and total customer net revenues were \$69,555 and \$1,108,754, respectively.

CITY OF PIERRE
NOTES TO FINANCIAL STATEMENTS

19. EXTRAORDINARY ITEM

During 2011, the City experienced a disaster due to flooding of the Missouri River. The extraordinary costs and related state and Federal "F.E.M.A." assistance through December 31, 2011 were as follows:

Flood related costs	\$4,218,378
"FEMA" reimbursements	<u>(2,512,571)</u>
Net extraordinary costs	<u>\$1,705,807</u>

Clean up and repairs related to this disaster are ongoing, as are requests for State and Federal assistance.

CITY OF PIERRE
OTHER POST EMPLOYMENT BENEFITS
FUND PROGRESS
DECEMBER 31, 2011

Status and Funding Progress	Valuation Date	
	January, 1 2011	January 1, 2008
Actuarial Accrued Liability	\$1,132,200	\$1,135,494
Actuarial Value of Plan Assets	-	-
Actuarial Accrued Liability ((AAL)	1,132,200	1,135,494
Ratio	0.0%	0.0%
Payroll (active plan members)	6,069,643	5,369,574
Percentage of Covered Payroll	18.7%	17.6%

This fund has only been evaluated twice as of January 1, 2011.

CITY OF PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amount
	Original	Final	
Revenues:			
Taxes:			
General property taxes	\$2,474,777	\$2,474,777	\$2,442,315
General sales and use taxes	3,198,150	3,198,150	3,317,919
Penalties and interest on delinquent taxes	1,000	1,000	4,824
Licenses and Permits	148,985	148,985	186,498
Intergovernmental Revenue			
Federal grants	230,140	2,154,904	2,166,606
State grants	142,000	142,000	0
State shared revenue	456,000	456,000	453,567
Country shared revenue	9,600	9,600	21,239
Charges for Goods and Services			
General government	1,748,982	1,748,982	1,523,911
Public safety	42,500	42,500	19,762
Health	3,000	3,000	0
Culture and recreation	611,300	611,300	253,656
Cemetery	36,125	36,125	33,899
Fines and Forfeits			
Court fines and costs	4,000	4,000	2,453
Fines	41,085	41,085	19,418
Miscellaneous Revenue			
Investment earnings	64,596	64,596	4,142
Rentals	0	0	19,424
Contributions	53,500	53,500	31,446
Other	558,290	558,290	149,735
Total Revenue	\$9,824,030	\$11,748,794	\$10,650,814

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

(\$32,462)

119,769

3,824

37,513

11,702

(142,000)

(2,433)

11,639

(225,071)

(22,738)

(3,000)

(357,644)

(2,226)

(1,547)

(21,667)

(60,454)

19,424

(22,054)

(408,555)

(\$1,097,980)

CITY OF PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amount
	Original	Final	
Expenditures:			
General Government			
Legislative	\$218,949	\$218,949	\$201,969
Contingency	400,000	400,000	0
Amount transferred	0	0	0
Elections	10,300	10,300	1,410
Financial administration	1,586,220	1,727,378	1,447,065
Other	1,617,400	1,617,400	1,382,490
Public Safety			
Police	2,369,416	2,369,416	2,192,281
Fire	396,168	396,168	295,155
Public Works			
Highways and streets	1,697,108	1,706,108	1,653,339
Cemeteries	219,613	219,613	204,560
Transit	0	1,924,764	1,924,764
Health and Welfare			
Health	72,900	99,630	97,276
Culture and Recreation			
Recreation	478,764	478,764	451,387
Parks	1,908,412	1,980,270	1,519,745
Libraries	757,754	831,050	606,365
Auditorium	15,200	15,200	7,381
Conservation and Development			
Economic development and assistance	506,494	2,182,353	632,774
Debt Service	46,674	46,674	29,177
Intergovernmental	337,500	337,500	336,880
Total Expenditures	\$12,638,872	\$16,561,537	\$12,984,018

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$16,980
400,000
0
8,890
280,313
234,910

177,135
101,013

52,769
15,053
0

2,354

27,377
460,525
224,685
7,819

1,549,579

17,497

620

\$3,577,519

CITY OF PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amount
	Original	Final	
Excess of Revenue over (under)			
Expenditures	<u>(\$2,814,842)</u>	<u>(\$4,812,743)</u>	<u>(\$2,333,204)</u>
Other Financing Sources (Uses)			
Transfers-in	2,577,237	2,577,237	2,320,509
Sale of city property	50,500	50,500	0
Transfers-out	<u>(114,366)</u>	<u>(124,404)</u>	<u>(124,404)</u>
Total Other Financing Sources (Uses)	<u>2,513,371</u>	<u>2,503,333</u>	<u>2,196,105</u>
Extraordinary Item	<u>0</u>	<u>0</u>	<u>1,455,599</u>
Net Change in Fund Balances	(301,471)	(2,309,410)	1,318,500
FUND BALANCE-Beginning	<u>3,272,503</u>	<u>3,272,503</u>	<u>3,272,503</u>
FUND BALANCE-Ending	<u><u>\$2,971,032</u></u>	<u><u>\$963,093</u></u>	<u><u>\$4,591,003</u></u>

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$2,479,539

(256,728)
(50,500)
0

(307,228)

1,455,599

3,627,910

0

\$3,627,910

CITY OF PIERRE
BUDGETARY COMPARISON SCHEDULE - SPECIAL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		
	Original	Final	Actual Amount
REVENUES			
Taxes:			
General sales and use taxes	\$414,148	\$414,148	\$446,877
Miscellaneous Revenue:			
Investment earnings	4,220	4,220	1,298
Total Revenues	418,368	418,368	448,175
EXPENDITURES			
Conservation and Development			
Economic development	181,500	181,500	172,500
Debt Service	236,868	236,868	221,248
Total Expenditures	418,368	418,368	393,748
Net Change in Fund Balance	0	0	54,427
FUND BALANCE-Beginning	715,573	715,573	715,573
FUND BALANCE-Ending	\$715,573	\$715,573	\$770,000

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$32,729

(2,922)

29,807

9,000

15,620

24,620

54,427

0

\$54,427

CITY OF PIERRE
BUDGETARY COMPARISON SCHEDULE - CAPITAL IMPROVEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUES			
Taxes:			
General sales and use taxes	\$3,198,150	\$3,198,150	\$3,317,918
Intergovernmental Revenue:			
Federal grants	0	100,000	473,150
State grants	0	250,000	0
Miscellaneous Revenue:			
Investment earnings	26,280	26,280	10,980
Total Revenues	<u>3,224,430</u>	<u>3,574,430</u>	<u>3,802,048</u>
EXPENDITURES			
Public Works:			
Highways and streets	450,000	459,500	260,371
Sanitation	1,363,000	1,703,767	1,571,090
Airport	30,000	30,000	28,920
Health and Welfare:			
Ambulance	80,000	80,000	61,891
Culture and Recreation:			
Recreation	0	109,700	90,787
Parks	0	625,000	44,003
Debt Service	659,700	700,000	689,158
Total Expenditures	<u>2,582,700</u>	<u>3,707,967</u>	<u>2,746,220</u>
Excess of Revenue over Expenditures	<u>641,730</u>	<u>(133,537)</u>	<u>1,055,828</u>
Other Financing Sources (Uses):			
Transfers-out	(641,730)	(641,730)	(308,193)
Proceeds of long-term debt	0	490,767	525,984
Total Other Financing Sources (Uses)	<u>(641,730)</u>	<u>(150,963)</u>	<u>217,791</u>
Extraordinary Item	<u>0</u>	<u>(3,500,000)</u>	<u>(3,161,406)</u>
Net Change in Fund Balance	0	(3,784,500)	(1,887,787)
FUND BALANCE-Beginning	<u>5,760,112</u>	<u>5,760,112</u>	<u>5,760,112</u>
FUND BALANCE-Ending	<u><u>\$5,760,112</u></u>	<u><u>\$1,975,612</u></u>	<u><u>\$3,872,325</u></u>

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$119,768

373,150
(250,000)

(15,300)

227,618

199,129

132,677

1,080

18,109

18,913

580,997

10,842

961,747

1,189,365

333,537

35,217

368,754

338,594

1,896,713

0

\$1,896,713

CITY OF PIERRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting practices (GAAP).

CITY OF PIERRE
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
PIERRE REGIONAL AIRPORT
FOR THE YEAR ENDING DECEMBER 31, 2011

<u>Airline</u>	<u>Net Collected</u>
First Quarter	\$ 18,285
Second Quarter	15,820
Third Quarter	17,209
Fourth Quarter	<u>13,414</u>
Total PFC Collected for 2011	\$ 64,728
Total PFC Collection for 2010	\$ 59,124
Total PFC Collection for 2009	43,809
Total PFC Collection for 2008	53,314
Total PFC Collections for 2007	46,383
Total PFC Collections for 2006	57,317
Total PFC Collections for 2005	67,975
Total PFC Collections for 2004	72,726
Total PFC Collections for 2003	<u>51,697</u>
Total PFC Collections for 2003-2011	<u>\$517,073</u>
Total Allowable PFC	\$788,346
Net Collections to date	<u>(517,073)</u>
Remaining amount to collect	<u>\$271,273</u>

CITY OF PIERRE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass through Grantor's Number	Expenditures
Department of Housing and Urban Development: Indirect Federal Funding: S.D. Governors' Office of Economic Development: Community Development Block Grant/ State's Program	14.228	N/A	\$473,150
Department of Justice: Pass through S.D. Department of Safety Enforcing Underage Drinking Laws Edward Byrne J.A.G. -ARRA Edward Byrne J.A.G. -ARRA Total Department of Justice	16.727 16.803 16.804	N/A N/A N/A	939 22,294 48,687 <u>71,920</u>
Department of Transportation: Direct Federal Funding: Airport Improvement Program Indirect Federal Funding: S.D. Department of Transportation Highway Planning and Construction (Note 2) Federal Transit S.D. Department of Commerce and Regulation- State and Community Highway Safety Total Department of Transportation:	20.106 20.500 20.509 20.600	N/A N/A N/A	1,603,566 1,598,007 427,101 6,711 <u>3,635,385</u>
General Services Administration: Indirect Federal Funding: S.D. Federal Property Agency, Donation of Federal Surplus (Note 3)	39.003	N/A	2,120
Department of Energy: Direct Federal Funding Energy Efficiency Program	81.128	N/A	61,700
Department of Homeland Security: Indirect Federal Funding: S.D. Department of Public Safety Office of Emergency Management Disaster Grant-Public Assistance (Note 2)	97.036	N/A	2,217,760
GRAND TOTAL			<u><u>\$6,462,035</u></u>

CITY OF PIERRE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: This represents a Major Federal Financial Assistance Program.

Note 3: The amount reported represents 23.3% of the original acquisition cost of federal surplus property received by the City.

CITY OF PIERRE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

1. SUMMARY OF AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements.
- b. No material instances of noncompliance were noted by the audit.
- c. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- d. My audit did not disclose any audit findings that needed to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- e. The federal awards tested as major programs were:

Highway Planning and Construction	CFDA 20.500
Disaster Grant-Public Assistance	CFDA 97.036
- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- g. The City of Pierre did qualify as a low-risk entity.

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF PIERRE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

There were no prior audit findings or questioned costs for the two previous audits.